



Subject: INTERNAL REPORTS

5-10-00 General
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5-10-00 GENERAL

- A. The design, implementation and maintenance of internal accounting report functions within each agency in the DHEW will conform to the principles and practices set forth in this chapter. Included within the purview of this requirement are the production of all reports and assemblies of data regularly prepared from the accounts on fixed schedules and such special reports and analyses as may be required. The internal reports, reconciliations and other data assemblies required to control the accounting system and to manage accounting operations must also conform to these requirements.
- B. The content of internal reports will, as a general rule, be focused upon costs in explicitly defined organizational or other areas of responsibility and current information relating to obligations needed for fund control purposes.
- C. The content of reports, reporting methods, and schedules must be fully responsive to management's needs. Operating and systems accountants should keep abreast of and be fully responsive to management's special needs as well as to changes in established reports and other data presentations.
- D. The preparation and distribution of reports that are not useful, that are excessively detailed, or fail in any significant aspect to satisfy the need or use at the point employed is to be avoided. Reports will be simply directed to the essential points of information required to evaluate and project conditions, control funds or activities, or to make decisions, as the purpose may be, at the point of use. The amount of detail shown including unusual items, explanatory notes and comments, shall be appropriate to the level and nature of the management functions to be exercised on the basis of the report. Analyses are most effective when the report parallels the analytic process applied to the data presented, e.g.: problem, cause, and corrective action to be applied. In all cases, the essential points should stand out and be clearly identifiable. Ordinarily, there should not be any need for additional computations or interpretive activity to arrive at the significant or essential points.

- E. All reports prepared should be directly traceable to the accounts and records from which derived. Where statistical methods are applied to data for reporting purposes, the techniques applied and the relationship between the amounts reported and those derived from the accounts shall be clearly explained in the report.

5-10-10 DESIGN PROCEDURE

A. General.

1. The reporting function will be established as a separate and distinct phase of the accounting system. Personnel assignments must accord with the pattern established for internal control in the total system. Liaison must be maintained with report recipients and systems personnel.
2. Design of the internal reporting phase requires as much, or more care and attention to details as the other phases or parts of the accounting system.
3. The process of creating or revising a complete reporting system or any of its parts consists of two major steps:
 - a. Establishing requirements and structure.
 - b. Design of the report preparation procedures.

Each is discussed in greater detail in the remaining parts of this manual section.

B. Establishing Requirements and Structure

1. Comprehensive Review

Reports cannot be properly designed for those who use them without a clear and mutual understanding of the information needed and how it will be used. Thus, prior to the design of any report or a reporting system, a comprehensive survey should be conducted at the appropriate levels of management control to document the data needs and factors in the organizational structure, objectives, methods of operation, resource input-output measures employed, and other details, which will help determine report structure and content. Also of concern at this point is the subsequent need to classify data needs at each point by type, extent of detail, time and frequency of need, and the permissible tolerances with respect to accuracy and the use of estimates or statistical methods. The expressed needs and aspirations of report recipients and users should also be documented for consideration in subsequent review and design steps.

The material developed at each point or level of management control will be reviewed with progressively higher echelons in management to fully develop prospective patterns and to broaden perspective. In short, all of the information which will provide an accurate, consistent, and comprehensive definition of managements' reporting needs must be systematically assembled.

2. Management Leadership and Participation

Full active participation of line and staff personnel is essential to the determination of system output requirements and attainment of utility in reports. Management must make clear to the accountants exactly what is needed. The accountants assist in arriving at definitions of what is or may be useful, is feasible and consistently attainable, and how the data will be obtained and compiled in terms of accounts and the accounting processes.

3. Tentative Proposals

Tentative reporting structure proposals should be formulated for review and approval at appropriate management levels. Factors which should be considered and reviewed with successive levels of management in developing and assembling such proposals include:

- a. Requirements basic to the control exercised at each level of management.
- b. Relationships between reports and their content and format at successive levels.
- c. Relationship to the accounting records and processes projected or existing.
- d. Timing and frequency of data needs.
- e. Tolerances as to the use of estimates and the issuance dates.
- f. Methods and costs of production.

4. Final Proposals and Approvals

The final proposal will be presented to top management in considerable detail for approval. With respect to each report of series of reports proposed, the following matters should be explicitly covered:

- a. Report Titles
- b. Report Purposes
- c. Report Content
- d. Report Format (outline)
- e. Management Levels directed to (or named recipients)
- f. Time and Frequency Specifications
- g. Relationships Between Reports
- h. Accounting Record Sources and Methods of Production

The presentation should include any recommendations concerning minor organizational or alternative administrative practices which will improve clarity or usefulness of the reports proposed. The final proposal as approved by management is then used as a basis for procedure design.

C. Design of the Report Preparation Procedures

1. Considerations

The principal design considerations which bear directly upon reliability and timeliness in report preparation and issuance are:

- a. Structure of the accounts in relation to report content. This factor determines the amount of work and consequently the time required for preparation and in some degree affects the ability to produce reliable reports.
- b. Timely and effective application of reconciliation and verification procedures to the accounts (Chapter 2-40). Accuracy and reliability of the data reflected in reports and the prevention of delay in preparation and issuance are directly dependent upon this factor.
- c. Ready availability of current, concise instructions concerning the details and the time schedule for each step involved in preparation and issuance.

The design of subsidiary records and their relationship to control accounts at intermediate and general ledger levels should be predicated upon the established reporting objectives and requirements.

2. Report Formats

Reports should be grouped by content and record source for design and lay out purposes in order to achieve uniformity in forms design.

Regularly scheduled reports will be prepared consistently as to size. Complex reports will be indexed for ready

reference. Where bindings are employed they should be of consistent size and color. Captions in the body of the report will be clear, concise, and to the point and be placed for quick and logical location of essential elements. Cryptic computer run sheets requiring interpretive devices or references to coded indexes or captions should not be used as final reports. Reports will adhere to the specifications approved by management. They will be prepared with the degree of accuracy, disclosure, and refinement of details specified and the methods of preparation will conform to reasonable limits of economy and efficiency.

3. Instructions for Preparation

The procedures for producing each report will be detailed, specifying:

- a. start point and time
- b. content
- c. record source
- d. format
- e. computational and analytical instructions
- f. tolerances
- g. reconciliation and verification steps
- h. responsibilities for each step in the process
- i. issue date
- j. other pertinent instructions

For this purpose reports are further grouped by level, frequency and time of issuance as well as record content and source. Instructions can then be standardized and possibly certain of the procedures can be arranged to produce all or part of more than one of the required reports concurrently.

In some instances, the data in reports produced at the basic level or at frequent time intervals, can be used in the preparation of reports prepared infrequently or at a higher level.

4. Control and Subsidiary Account Structure

It will not be possible to arrange control and subsidiary account relationships in the accounting system to accommodate the requirements of all reports issued. The preceding analysis by level and frequency combined with a review of preparation time and issue date tolerances and report purposes will serve as a basis for establishing relative priorities. The basic core of essential priority reports will be derived directly from accounts and records

structured for this purpose. Reports with lower priority may be compiled expeditiously from basic priority reports or by further processing of data derived from the accounts. Those considerations should enable an arrangement of procedures and a schedule which will most efficiently meet reporting requirements.

5. Reconciliations and Verifications

Reconciliation and verification procedures referred to are principally those specified in Chapter 2-40 of this manual. With respect to reports these procedures, basic to system control, provide requisite assurance that the accounts are in proper condition prior to the derivation of reports. Processes which must be applied specifically to individual reports and groups of reports consist of (a) reapplying, at a review point, the adding or computing processes used in compiling the reports, and (b) depicting precisely, in either the report or in the work papers retained for the record, the relationship between the reported data and specific accounts from which they are derived. This requirement applies to instances in which this relationship cannot otherwise be readily determined. Other reconciliations and verifications which may be applied are dependent upon the relationships between reports, either by periodic intervals of time or successive reporting levels, which are established in the structure. Such reconciliations as are appropriate to accurate maintenance of these relationships should be established and applied.

5-10-20 AGENCY ACCOUNTING MANUAL PROVISIONS

Uniformity, consistency, and reliability in a reporting structure are completely attainable only as a result of a complete understanding, by all concerned, of the factors involved and the principles and procedures established for producing the reports. All of the essential aspects of report production, issuance, and control will be explicitly included in each agency's accounting manual. Issued as a separate segment or separable part, it will be distributed currently to report recipients and others concerned with reports who do not otherwise receive distribution of the Accounting Manual or changes thereto. The following matters are considered essential to effective communications concerning the reporting system.

- A. A description of the reporting system generally outlining structure, flow, policy, and responsibilities.
- B. Procedures for obtaining special reports and for requesting or suggesting changes.

- C. A reports directory which lists by position or level of management the recipients of each report, the time of issuance, and any special input requirements.
- D. Detailed segments devoted to each report which show: (1) the procedures to be followed; (2) preparation start times; (3) record sources; (4) responsibilities at each stage in preparation and issuance; (5) issuance date; (6) reconciliation and verification procedures and how they will be evidenced, and (7) illustrations and explanations of the forms employed.
- E. A separate report issuance schedule arranged by starting times which shows: (1) starting point in the accounting operations, (2) the progressive flow of responsibilities at successive stages of preparation and verification and (3) due dates.
- F. A reports control procedure which provides: (1) initiation and maintenance of the schedule set forth in E. above, (2) specific follow-up authority and responsibility, (3) reviews to ensure that reconciliation and verification procedures have been applied, and (4) a point of routine liaison with management concerning the receipt of reports and other routine matters concerning the preparation and distribution Of reports.

Not all of the factors and relationships involved in the actual production of reports can be completely foreseen or preordained in the initially written procedures. However, when accounting and operating personnel are provided with detailed instructions concerning the principles, intent, purpose and tolerances of each report, informed judgements can be made in resolving immediate problems and the procedural adjustments required will become more quickly apparent. The system of detailed instructions required to be established can then be relied upon to accurately and uniformly communicate these adjustments to all concerned.

5-10-30 PERIODIC REVIEW AND EVALUATION

The reporting structure, the scope, content and utility of individual reports, the methods and procedures employed to produce reports and the account structure and processes from which they are derived, should be reviewed periodically to assure that prescribed conditions apply.

This review may be conducted on a cycle basis, considering reports by production or frequency groupings, by level of recipient or other convenient or appropriate classifications. The review should be directed toward the possibility of (1) combining or eliminating reports, (2) increasing or reducing the frequency of issuance, and (3) making changes in the accounts, recording processes or methods of compilation to otherwise reduce the cost or time required for production and issuance.

Reviews to the extent necessary In the indicated circumstances are required when:

- A. Major changes are contemplated in the content and format of reports or the reporting system.
- B. Major changes are contemplated in the accounting system.
- C. A reporting system is initially approved and implemented on the basis of a review of only the salient reporting requirements.

The process of periodic review must also effectively operate to maintain liaison between report users and the accounting function. It should also be productive of opportunities to consider initiation of useful reporting services in new areas or in areas not previously considered.